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AGRICULTURAL FINANCE OUTLOOK

Economic Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

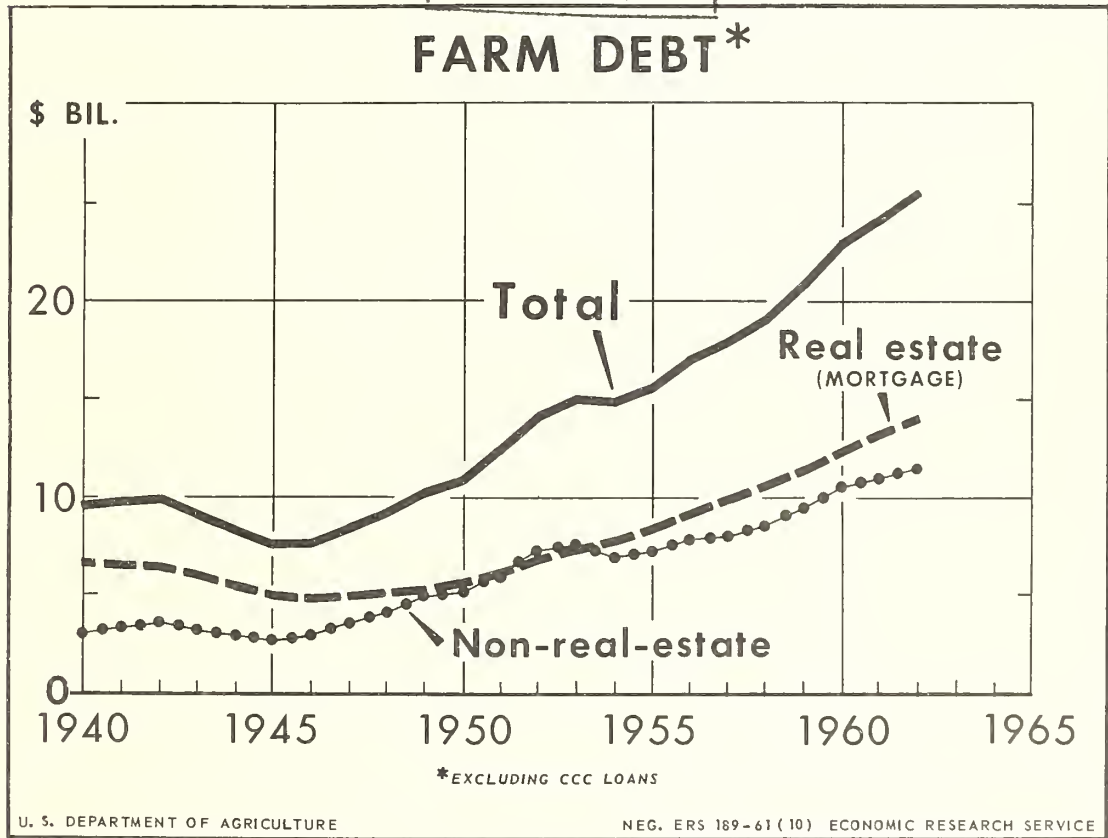
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Farm debt is expected to amount to about \$25.5 billion on January 1, 1962. About 55 percent of the debt is secured by farm real estate. During the last 2 years, real estate debt has increased at a faster rate than non-real-estate debt.



Growth Through Agricultural Progress

C O N T E N T S

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Approved by Outlook and Situation Board, October 30, 1961

1962 CREDIT AND FINANCIAL OUTLOOK OF FARMERS

Throughout much of the country, the credit and financial situation of farmers has improved so far during 1961. The improvement is expected to carry forward, and possibly to be increased somewhat in 1962.

A major gain is from the higher farm income in 1961, which has resulted from increased marketings, slightly higher prices of farm products, and increased Government payments. In addition, farm real estate values resumed the rise that came to a temporary halt in 1960. Values of crop and livestock inventories have increased also. As a result of these gains, the equities of farmers and other owners of farm property have risen again in 1961, despite a further increase in farm debt. In addition, opportunities for farmers and members of their families to find employment in off-farm jobs are reported to be improving this fall.

Not all farmers have shared in the improvement during 1961. In the first 8 months of the current year, cash receipts from farm marketings were down slightly from last year in the Northeast, Mountain, and Pacific States, despite an increase of 2.6 percent in the national total. Sheep ranchers, broiler and turkey producers, and late potato growers have had a poor year because of low prices for their products. However, returns to broiler growers have been reduced less than the decline in the price of broilers might suggest because most growers produce under contract. Reports of lending institutions in all regions emphasize that inefficiently managed farms and farms of less than average size are losing ground to the larger and more efficiently managed farms.

1/ In preparing this report, the Farm Economics Division, Economic Research Service, had the benefit of information received during late September from the district Farm Credit banks, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve banks, and the farm-mortgage departments of several life insurance companies in various parts of the United States. Survey information from more than 1,000 banks was summarized and made available by the Agricultural Commission of the American Bankers Association. Special surveys in 25 selected counties, covering different types of farming and farm conditions, were made by agricultural economists of the Division. In these counties, 302 farmers and ranchers, 147 bankers and lenders, and 132 merchants and dealers were interviewed.

Nor are financial prospects for the coming year equally good in all areas. Drought reduced crop production in a large area extending through the northern parts of the Lake States, the Dakotas, and the Mountain States; the decline was most drastic in North Dakota (fig. 1). Cotton yields are down from last year in most parts of the old Cotton Belt. Prospects for sheep, broilers, turkeys, and late potatoes continue to be relatively poor. The outlook is better for cattle ranchers, tobacco producers, Corn Belt farmers, and western cotton growers - this year's production has been high and price prospects are favorable.

Realized net income of farm operators during the first three quarters of 1961 was at a seasonally adjusted annual rate of \$12.5 billion, and for the year as a whole it may total a tenth above the \$11.7 billion estimated for 1960. The gain in farm income, together with a favorable growing season in most areas and hopes that business recovery and the new farm programs would further strengthen the farm economy, stopped the decline in prices of farm real estate that developed last year. By mid-1961, land values had increased to about 2 percent above the year-earlier level. If the current trend continues, farm real estate will be about 3 percent above year-earlier levels by the first of 1962.

Chiefly because of the increase in land values, the total value of all farm assets is expected to attain a record high at the beginning of 1962. Farm debts also have risen substantially but for the year, they are expected to increase less than the value of farm assets. Thus the equities of farmers and other owners of farm property are expected to show a substantial increase for the year. Percentagewise, debts appear to be increasing faster than the value of farm assets, and the ratio of all farm debts (including CCC loans) to the value of farm assets is expected to approximate 13 percent by the beginning of 1962. On January 1, 1961, it was estimated at about 12.3 percent.

Interest rates paid by farmers on new loans have declined slightly this year but are not expected to decline further in 1962. Farm taxes continued to rise. The decline in interest rates was brought about by a drop in money market rates during 1960 and early 1961, which reduced costs of money for banks of the Farm Credit System and returns on alternative investments for other lenders. Since mid-year however, money market rates have increased slightly.

Farmer holdings of currency and bank deposits fell off substantially in 1959 and 1960, but indications are that they

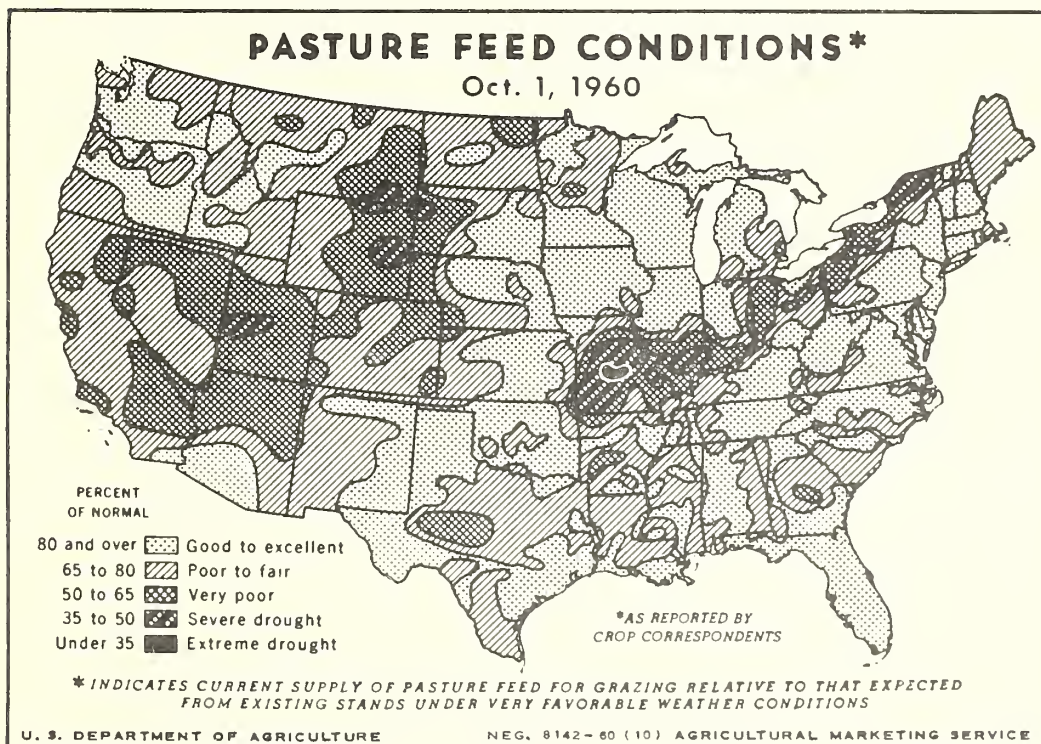
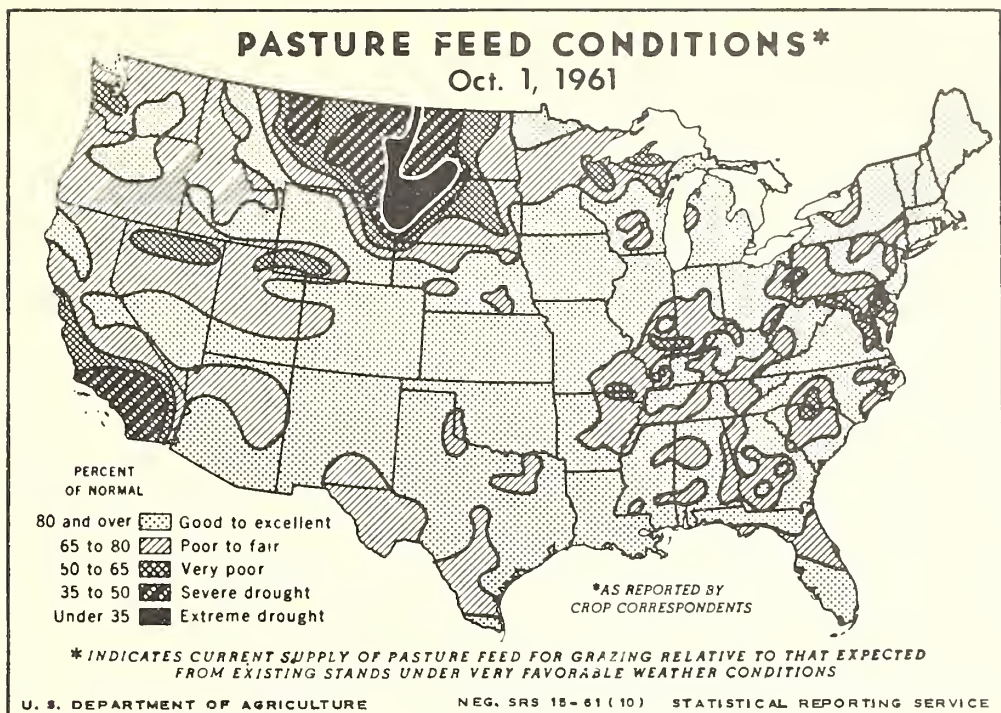


Figure 1

have been reduced only slightly in 1961. The higher farm income in 1961 may have arrested the decline, which appears to have resulted partly from the cost-price squeeze and partly from a decrease in number of farmers.

Borrowing by farmers for current production purposes has increased little in 1961 over 1960, probably because farm expenditures for motor vehicles and farm equipment have increased only slightly and because there has been little change in number of cattle on feed. Payments made under the feed-grain program have also reduced needs for production credit. But mortgage lenders report a considerably increased volume of borrowing on farm mortgages. They also report increased repayments of farm-mortgage loans. The principal increase in loan commitments by life insurance companies during the first half of the year was for the refinancing of existing mortgages. This would suggest a considerable readjustment of mortgage loans, probably for the purpose of obtaining larger amounts of credit, and it may explain, partly at least, the substantial increase in payments on mortgages. Mortgage loan delinquencies remained low in 1961.

CREDIT AND FINANCIAL SITUATION OF FARMERS IN 1961

The financial situation of farmers is reported to be moderately stronger this fall than a year ago in most parts of the country. This is true of the tobacco-producing areas, the Corn Belt, the central and southern parts of the Lake States, the Great Plains except the Dakotas, and the cotton-producing and cattle-ranching areas of the West. Excellent crops, favorable prices, and payments under the feed-grain program brought about the improvement. The dairy areas and most parts of the old Cotton Belt show little change from last year, but the situation of sheep ranchers, broiler and turkey growers, and late-potato producers has deteriorated because of lower prices. A weaker situation is reported also in a large area extending through northern parts of the Lake States, the Dakotas and Mountain States, and into the Pacific States, where drought cut crop production or required unusually large expenditures for irrigation. For the country as a whole, however, farm income has been considerably greater in 1961 than in 1960, and farm assets and equities are greater this fall than a year ago.

Farm assets and equities

Farm assets are expected to reach a value of \$211.3 billion by January 1, 1962, about \$5.2 billion, or 2.5 percent, above a year earlier and an all-time record (table 1). The increase has resulted chiefly from the renewed increase in farmland values. However, other physical assets, including livestock,

Table 1.- Balance sheet of agriculture, Jan. 1, 1961, and estimate for Jan. 1, 1962

| Item | Jan. 1, 1961 | Estimate for Jan. 1, 1962 | Percentage change |
|--|----------------------------|---------------------------------|----------------------|
| | <u>Billion dollars</u> | <u>Billion dollars</u> | <u>Percent</u> |
| ASSETS | | | |
| Physical assets: | | | |
| Real estate----- | 136.5 | 140.6 | 3.0 |
| Non-real-estate----- | 52.0 | 53.0 | 1.9 |
| Financial assets----- | 17.6 | 17.7 | .6 |
| Total----- | 206.1 | 211.3 | 2.5 |
| CLAIMS | | | |
| Liabilities: | | | |
| Real estate debt----- | 13.1 | 14.0 | 6.9 |
| Non-real-estate debt to- Commodity Credit Corporation----- | 1.3 | 1.7 | 30.8 |
| Other reporting and non- reporting creditors---- | 11.0 | 11.5 | 4.5 |
| Total----- | 25.4 | 27.2 | 7.1 |
| Equities----- | 180.7 | 184.1 | 1.9 |

machinery and motor vehicles, crop inventories, and household goods are expected to be up by about \$1 billion. Financial assets owned by farmers may be slightly higher than a year earlier.

Farm debts including Commodity Credit Corporation loans continue to increase and are expected to total about \$27.2 billion on January 1, 1962, up \$1.8 billion from a year earlier. At this level, they will be equal to nearly 13 percent of the value of farm assets, compared with about 19 percent in 1940 and a low of about 7.5 percent in 1947. Nevertheless, the equities of farmers and other owners of farm property are expected to approximate \$184.1 billion at the beginning of 1962, up \$3.4 billion from January 1, 1961.

Farm real estate

Market prices of farm real estate are expected to edge moderately upward through mid-1962, although at a slower rate than prevailed between 1955 and 1959. The trend in 1960 was mixed, with small declines occurring in the Corn Belt while values elsewhere held firm or advanced slightly. Nationally, values leveled off from March to November 1960, and increased only 1 percent in the year ended March 1, 1961. The market strengthened slightly in the Corn Belt in the 4 months ended July 1, 1961, offsetting part of the decline that had occurred in 1960. The upward trend continued in most States outside this region - 28 States showed increases of 2 or 3 percent above that of last March and 2 percent above that of a year earlier (fig. 2). Indications are that values in the Corn Belt have continued to strengthen since July and may have recovered most or all of the previous losses.

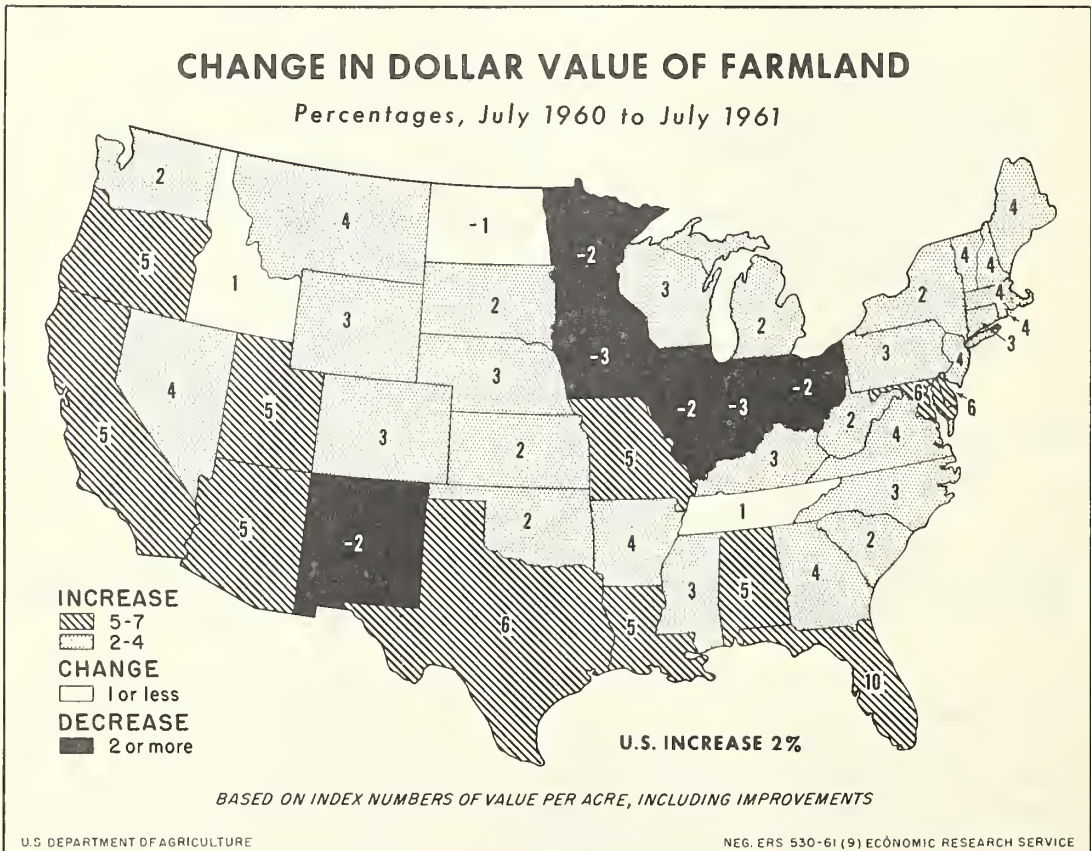


Figure 2

The renewed strength in the land market appears to be in response to the optimism generated by the rapid recovery in the nonfarm sector since last spring and the higher level of farm income in 1961. However, farm income prospects alone are not sufficient to support a further increase in land values above current levels. Land values rose steadily in 5 of the last 6 years, although there was little support for the rise from farm income. Consequently, the imputed rate of return on market values of farm real estate has gradually declined. The rate was 3.3 percent in 1960 and is not likely to show any significant improvement in 1961 or 1962. Net returns to farm real estate would need to increase by a fourth to achieve a rate of return on present market values of 4 percent, the average rate for the period 1955-60.

As for the last several years, more than two-fifths of the purchases of farm real estate in 1960-61 were financed by the sellers. Nearly 70 percent of such sales were financed by installment land contracts, rather than by conventional mortgages. The downpayment on contracts averaged 23 percent of the purchase price. For those sales that were financed by purchase-money mortgages to the seller, the downpayment averaged 35 percent. Thus, sizable debt obligations are being created between individuals that often depart from the terms available from commercial lenders. The repayment terms of these "private debt arrangements" seem to be somewhat shorter than those offered by institutional lenders, and they are more likely to require refinancing in the future. Although the relatively low downpayments involved in seller financing often offer tax savings to sellers, there are other reasons for this credit practice. In some instances, the seller is providing interim financing until the buyer can qualify for conventional longer term financing from institutional lenders. In other situations, the seller may reluctantly assume the role of creditor in order to make a sale. The requests for loans from institutional lenders are likely to come increasingly from individuals who seek to refinance existing indebtedness, rather than funds for the initial purchase of land.

The rate of farm transfers in the year ended March 1, 1961, was the lowest since the early thirties; the total number of open-market transactions probably did not exceed 100,000, less than 3 percent of the total number of farms. More than half of these transactions took place between farmers. Buyers were predominantly established farmers seeking additional land with which to enlarge their operations, and sellers were those who wished to reduce their scale of operations, were retiring, or were quitting farming for nonfarm jobs.

Although less than 2 in 100 farmers bought land in 1960-61, their total cash outlay for land purchases was probably in excess of \$1 billion. The new debt incurred as a result of these purchases amounted to about as much as the cash payment. About a third of the farmers who bought land paid cash, but interest and principal payments to be met by the other two-thirds who required credit will take a substantial part of the returns to be realized from the land.

Financial assets

The value of the financial assets owned by farmers on January 1, 1962, is expected to be up slightly from a year ago. Farmers' holdings of deposits and currency are expected to be slightly lower than a year earlier; however, the decrease will be considerably smaller than in 1959 and 1960. This decrease in deposits and currency is expected to be offset by an increase in farmers' investments in cooperative associations. Increases are expected in all types of associations, with those in the rural electrification associations and the production credit associations likely to increase most. The value of the savings bonds owned by farmers will probably be slightly higher on January 1, 1962, than a year earlier. Purchases have increased during 1961 and, along with accrual of interest, will exceed the amounts redeemed.

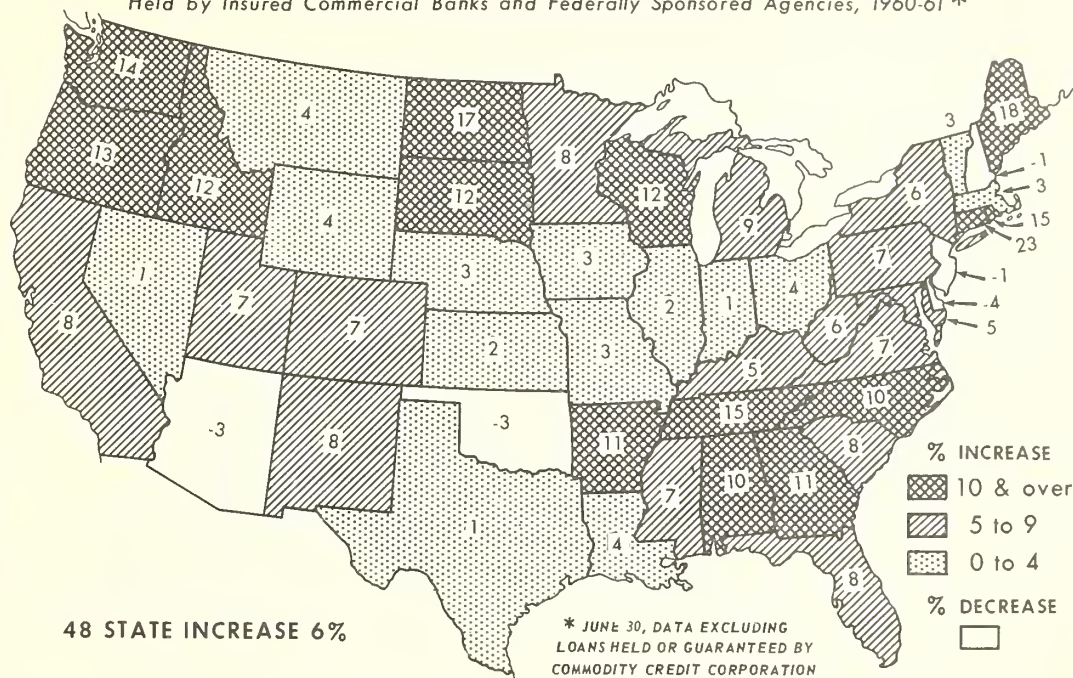
Farm debt

The total debt of farmers, excluding CCC price-support loans, is expected to be about \$25.5 billion on January 1, 1962, nearly 6 percent above a year earlier. This is slightly more than the increase during 1960 but only half as much as the annual increase in the 2 preceding years.

Non-real-estate debts of farmers, excluding CCC price-support loans, are expected to total about \$11.5 billion on January 1, 1962, an increase of nearly 5 percent over a year earlier (fig. 3). The outstanding non-real-estate loans of farmers increased less in 1960 and 1961 than in the 2 preceding years because production expenses increased at a lower rate during the last 2 years and expenditures for capital equipment and farm improvements fell below the levels of 1958 and 1959. Farmers' needs for production credit in 1961 also were reduced by payments under the feed-grain program. The non-real-estate debt of farmers will probably increase further in 1962, as farm production costs continue to rise, and there will be substantial carryovers of production loans in some areas at the end of this year. Farmers are reported to have bought more tractors and machinery in recent months, after having delayed such purchases for the last 2 years.

CHANGE IN NON-REAL-ESTATE FARM LOANS

Held by Insured Commercial Banks and Federally Sponsored Agencies, 1960-61 *



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 564-61 (10) ECONOMIC RESEARCH SERVICE

Figure 3

Farm-mortgage debt on January 1, 1962, is expected to total \$14.0 billion, an increase of nearly 7 percent over a year earlier and about the same as the average percentage increase for several years (fig. 4). Farm-mortgage debt is expected to increase further in 1962 as a result of rising prices of farmland and a continuing uptrend in both acreage and capital requirements per farm. Also, the policy of refinancing short-term indebtedness into longer term mortgages secured by real estate will likely continue.

Price-support loans owed by farmers to the Commodity Credit Corporation are expected to be about 30 percent greater on January 1, 1962, than a year earlier. This increase will be due principally to an estimated increase in loans on corn, soybeans, and cotton.

CHANGE IN FARM MORTGAGE DEBT

Held by All Lenders, 1960-61*

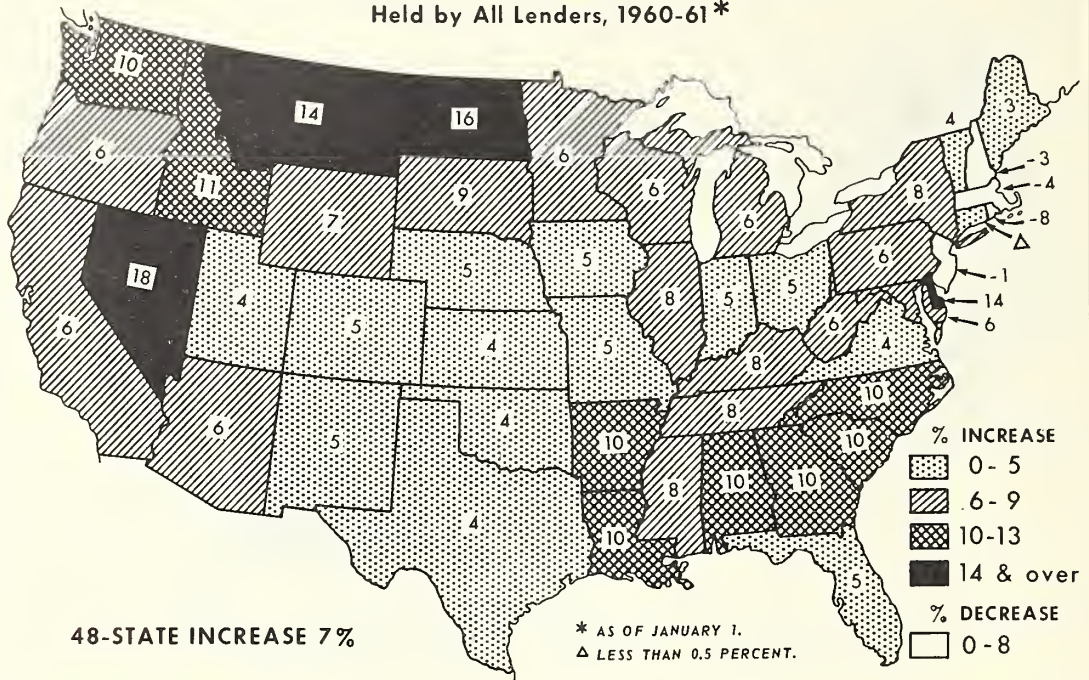


Figure 4

Cost of credit

Interest rates paid by farmers declined during 1961 from the high levels reached in 1960. In the first few months of 1961, 10 of the 12 land banks reduced their rates from 6 to 5 1/2 percent. Only one bank still charges 6 percent and one 5 3/4 percent. The weighted average interest rate of 21 life insurance companies was 5.82 percent on loan commitments for the second quarter of 1961 compared with 6.05 percent for the fourth quarter of 1960. Rates charged by the production credit associations decreased considerably in late 1960 and early 1961. On September 1, 1961, only 10 percent of the associations, compared with 51 percent a year earlier, were charging 7 percent or more interest on loans. A survey conducted by the American Bankers Association indicated that rates charged

by commercial banks changed little during 1961. However, the slight change was in the downward direction. Banks in agricultural areas often respond slowly to changes in the money market.

Rates for marketable securities in the central money market declined during 1961, reaching a low in May. Since that time, rates have risen to a level slightly above that at the beginning of the year. An example of this trend is as follows: Yields on 9-month debentures of the Federal intermediate credit banks were sold in December 1960 to yield 3 percent. In May 1961, the yield to investors decreased to 2.95 percent but by August the rate had increased to 3.20 percent. Longer term Federal land bank bonds followed a similar trend. If rates in the central money market continue to increase in the months ahead, it is possible that the agencies that raise funds in the market will also increase their rates to farmers.

In general, reports indicate that ample credit is available to farmers who can meet lenders' requirements. Because some farmers cannot meet the requirements of conventional lenders, additional funds have been made available through the Farmers Home Administration to take care of their needs.

Farm income and expenditures

The preliminary estimate of cash receipts from farm marketings for the first 9 months of 1961 is \$23.4 billion compared with \$23 billion for the same period in 1960. Receipts from livestock and livestock products increased a little more than 2 percent, primarily as a result of increased marketings. Higher prices for hogs, particularly in the early months of 1961, helped push livestock receipts above those of 1960. In the first 9 months of 1961, cattle prices averaged about the same as in 1960, but the volume sold was greater than that sold last year. Higher egg prices contributed to the higher receipts from livestock products through September.

Cash receipts from crops increased a little more than 1 percent during the first 9 months of 1961 compared with a year earlier. The average of prices received by farmers for all crops was higher than in 1960. The price of soybeans was far above 1960 levels.

Government payments to farmers in the first three quarters of 1961 were estimated at an annual rate of \$1.3 billion, \$600 million higher than in the corresponding period of 1960. This increase over 1960 was due chiefly to payments under the 1961 Feed Grain Program.

Realized gross farm income was at an annual rate of about \$1.4 billion higher than a year earlier due to increases in both receipts from farm marketings and Government payments.

Farm production expenses continue to increase. Expenses during the first 9 months of 1961 were at an annual rate of nearly \$400 million above a year earlier. Prices paid by farmers for production items increased slightly during 1961. Interest payments, wages, and taxes also increased during 1961, although interest rates on new loans declined slightly.

Farmers invested slightly more during 1961 in capital equipment, such as tractors, machinery and buildings, than they did in 1960 but considerably less than in 1958 and 1959. Increased expenditures are likely to continue into 1962.

Net income realized from farming was at a seasonally adjusted annual rate of about \$12.5 billion for the first three quarters of 1961 and for the year as a whole, it may be about a tenth higher than the \$11.7 billion estimated for 1960. The improved farm income situation in 1961 is expected to continue into 1962 with little overall change.

Taxes

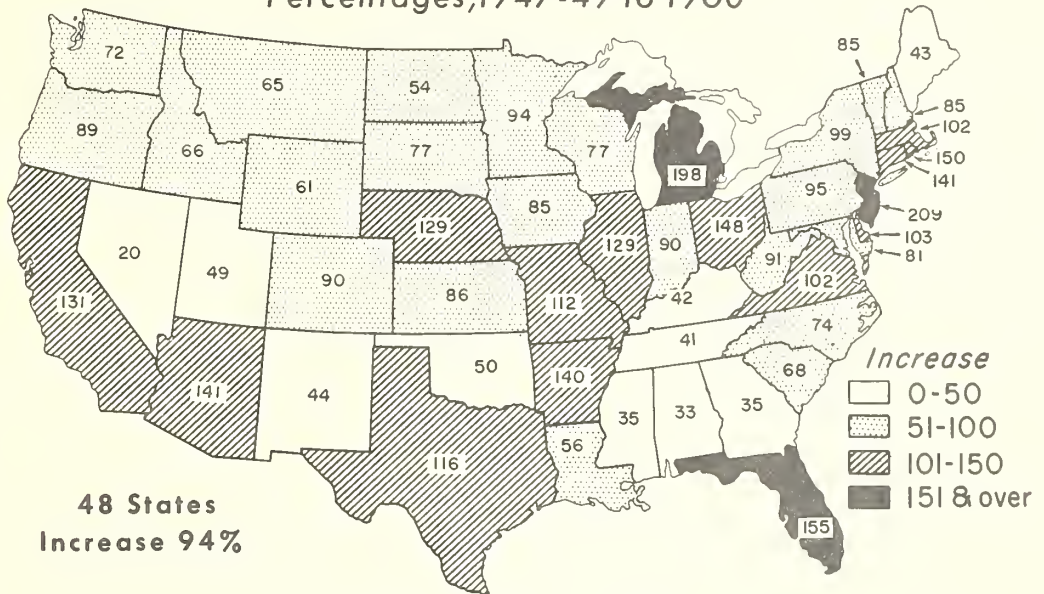
Farm real estate taxes have increased in each year since 1942, reaching an all-time high of \$1,284 million in 1960 (year of levy but not necessarily year of payment). Advance reports on 1961 levies indicate a 6-percent increase to about \$1,361 million. This would bring taxes per acre to \$1.27, as compared with \$1.20 in 1960. Taxes on farm personal property have also risen steadily. Farm personal property taxes are estimated at about \$277 million for 1961, or 3 percent more than in 1960.

The increase in real estate taxes has not been uniform among the States. For example, the average tax levied per acre in Alabama was 33 percent higher in 1960 than in 1947-49 (fig 5). In contrast, the average tax levied per acre in New Jersey increased 209 percent during the same period.

Although population growth was an important factor behind the rising property tax levies, differences in State and local tax structures may have had an even greater influence. For example, California experienced a much greater rate of growth than New Jersey during this decade. Yet per acre tax levies increased at a lower rate in California than in New Jersey. Alabama and California have State income taxes and sales taxes on both State and local levels. New Jersey does not have an income tax; nor does it levy a sales tax at either level. It

CHANGE IN TAXES PER ACRE LEVIED ON FARM REAL ESTATE

Percentages, 1947-49 to 1960



U.S. Department of Agriculture

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Figure 5

relies more heavily on the property tax. In 1960, New Jersey collected 52 percent of its State and local tax revenues from that source. Alabama and California collected 13 and 36 percent, respectively.

The persistent uptrend in farm property taxes is a direct outgrowth of the steadily expanding revenue requirements of local governments. Rising costs are partly responsible for these increasing needs. All except 2 percent of the general property taxes collected in the United States go to local governments. Public schools account for close to two-thirds of local government expenditures in rural areas.

Projections for the coming decade indicate a continued increase in public school revenue needs. The Committee for

Economic Development, for example, has estimated that State and local government expenditures on primary and secondary schools in 1968 will be approximately 40 percent greater than they were in 1959. In the semirural areas around growing cities, costs have risen in response to expanding enrollments. Many other rural communities, even those with stable or declining school enrollments, have experienced rising school costs in connection with efforts to upgrade the quality of their public schools.

The extent to which the rise in revenue needs will be reflected in higher farm property taxes will depend largely upon the degree to which revenues from State or Federal Governments supplement local support for schools and other local governmental functions.

REGIONAL SITUATION AND OUTLOOK

In the following pages, the financial condition of farmers in the various regions is discussed.

Northeast 2/

Financial conditions of farmers in this 11-State region vary widely in any year because of differences in sources of income. For the region as a whole, conditions appear to be slightly weaker than last year. Cash receipts from farm marketings were about 2 percent lower through August of this year than in the first 8 months of 1960.

Dairy products account for one-fifth or more of cash receipts from farm marketings in all States except Delaware. Dairy men maintained a higher level of production this year, offsetting a small decline in prices. Production per cow was up because of continued culling of low-producing cows and the abundant production of forage and feed grains accompanying a favorable growing season. The same favorable growing conditions produced large crops of potatoes, apples, and other fruits and vegetables and resulted in depressed prices. Total returns to potato growers will be much lower this year and apple producers are not expected to fare as well as they did in 1960. Late frosts in the spring lowered production of peaches, blueberries, and cranberries.

Returns from poultry and egg sales make up an important share of farm income in the Northeast. Both prices and production of eggs in the region were lower than in 1960 through the first 9 months of the year. Broiler prices have continued downward, reaching an all-time low in September; on many farms, they were

2/ Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware and Maryland.

lower than production costs. The low prices resulted in heavy losses for the few farmers producing without contracts. The returns to those farmers producing under guaranteed contracts were not as seriously affected, but low returns to contractors may be reflected in reduced guarantees to producers in their next contracts. ,

Production costs were reported to be above those of last year. Higher property taxes were mentioned throughout the region, and labor costs rose on some farms as wages, perquisites, or total labor inputs were increased. Net income is expected to be lower than 1960 levels, although the feed-grain program has raised Government payments substantially. Some lenders indicated an unexpectedly high participation in the program. Participation ranged from zero in New Hampshire to 39 percent of eligible farms in New York and averaged 24 percent for the region.

Virtually all lenders reported a greater need for credit this year, partly because of the trend toward fewer but larger farm borrowers. Some dairymen must choose between buying bulk tanks and going out of business, and few of those electing to stay in business are able to finance improvements of this type for savings. Demand for credit was especially heavy in areas such as Aroostook County, Maine, where large numbers of potato producers carried over debts from last year. Despite the increased demand, supplies of credit have been adequate. In fact, supplies over the region as a whole are apparently more plentiful than they were last year, and some respondents believe that credit has been extended so liberally that increases in delinquencies have resulted. The number of delinquencies was higher this year among potato producers, but for the Northeast as a whole, the repayment situation is good. Foreclosures are still a rarity, although a few farms have been taken over by creditors.

The effect of nonfarm employment on farm financial conditions is far from uniform over the region. In the more remote areas, employment opportunities are severely limited, and little change in the gradual movement of farmers into nonfarm jobs was noted. In areas closer to population centers, nonfarm employment is a more important component of farm family income. In these areas, because of a decrease in nonfarm employment opportunities this year, some slackening of the migration out of agriculture was reported.

Most lenders believe that credit needs will continue high in 1962, as the pressure for expansion and modernization of equipment goes on. Little change is expected in credit terms and interest rates, at least during the early part of the year. As in 1961, farm financial conditions will vary widely. Broiler

producers and potato growers expect low prices to continue. The diversion program for potatoes will bolster growers' income to a small extent. Dairy farmers appear to be in the strongest position for the coming year, especially those who are in position to boost production above this year's levels.

The credit and financial position of dairy and poultry farmers in Merrimack County, N. H., can be summed up as "little change from a year ago." Milk prices have declined, but increased farm volume has tended to maintain dairy incomes. Egg producers also were faced with declining prices for their products, but this was still a profitable year for those who could increase production.

Credit institutions appeared to be reluctant to provide operating capital to market egg producers since the liquidating value of most poultry plants was about equal to the value of the dwelling and land. Also, there was some pessimism as to the long-term stability of the business.

In terms of the future, poultrymen are "sitting it out." The steady decline in average annual prices for both eggs and fowl and the appearance of integrated operations, long anticipated but now materializing, are important. Dairymen can obtain operating loans, and they have done so to become larger and more intensive. Suppliers of credit indicated that debt repayment was at least as good as a year earlier. While the number of dairy farms also continues to decline, those remaining are increasing size and level of technology, thus requiring added credit.

The 1961 financial situation of potato farmers in Aroostook County, Me., is not as good as it was a year ago. The 1960 crop, marketed chiefly in 1961, was slightly smaller than that of a year earlier, but it was of high quality. However, prices received for the crop were considerably below those of a year earlier. Farmers have more carryover of debt obligations and fewer financial reserves.

The 1961 potato production is estimated to be slightly larger than last year because of larger yields per acre. The crop is expected to be of average quality. Farmers are generally pessimistic on prospective prices for this year's crop, and the futures market has continuously shown lower prices than a year earlier. Production costs have edged upward. Fertilizer was about \$2 higher per ton, and taxes have increased.

Farmers needed more credit for their 1961 farming operations, than they needed a year earlier, but they were reluctant to use any more than necessary because of carryover debts from last year. Production credit associations reported that one-third to two-thirds of their borrowers carried over debts into the 1961 season. Nearly half of the Federal land bank association borrowers in the county

were delinquent as of July 1, compared with 27 percent a year earlier. Two of the Farmers Home Administration offices reported more than 70 percent delinquencies while the third office reported more than 40 percent. Foreclosures have run slightly higher than a year earlier.

Adequate funds were available to meet the credit needs of farmers for the 1961 season. Production credit associations generally lowered their interest rates and loan fees. Most of the institutional credit needed by farmers is supplied through cooperative agencies and the Farmers Home Administration. Commercial banks make only a few short-term farm loans.

Farmers in the southern part of the county, where many supplement the potato operation with a dairy enterprise, are in better financial condition than those in the rest of the county. The FHA office there reported less carryover of old obligations than in the other two offices. The farmers in the central and northern areas tend to depend upon potatoes as their chief source of income.

The financial outlook for the coming year is not favorable. Potato prices are expected to be lower than they were this year. Farmers' assets will be smaller and the demand for credit will be heavy. However, sufficient credit should be available at about the same rates as in 1961.

Soil Bank land will start coming out in quantity after this year. The chances that this land will be put back into production vary considerably throughout the county. In the main producing areas, the land will probably come back into production, but in the marginal areas, there is considerable doubt that it will do so.

The financial position of farmers in Lebanon County, Pa., appears to be moderately weaker in 1961 than in 1960. Farmers, merchants and dealers, and lenders were generally pessimistic. However, the near perfect weather was expected to bring crop yields equal to those of the "good year" of 1958. The greater yields of wheat, barley, oats and hay, plus the expected yields of corn and tobacco, tend to prevent any severe decline in farm income in 1961.

Dairymen interviewed in the survey were reasonably satisfied with milk prices and the outlook for 1962. Several indicated an increase in the size of their herds and an increase in building construction and mechanization, particularly construction of silos for hay silage. Feed costs increased, especially those for protein supplements.

The consensus was that the poultry farmer was in trouble, especially in broiler production. Since 1960, several had changed enterprises, while some had increased the number of broilers on hand and had made contracts with feed dealers.

Cattle feeding brought lower returns this year than last. Because of higher prices for feeders and stockers and lower prices for finished cattle, most farmers were slow about restocking.

Farmers were using more credit than in 1960, and most of them indicated a need for additional funds with which to purchase feed, fertilizer, and spray materials. Lenders indicated some increase in the number of farmers who were delinquent or "slow pay." The increase in demand for credit appeared to be from borderline cases and farmers not eligible because of a very high debt load. Most lenders were extending sufficient credit for short-term purposes.

Farm income in Orleans County, N. Y., depends upon a variety of products. Farmers in the survey listed vegetables, fruits, and dairy as important sources of income. Growing conditions were favorable for most crops this year. A bumper crop of apples was produced, but apple prices are low enough to cause lower total returns. Cherry producers had good yields, and prices were satisfactory until late in the season. Tomato production was high, but the quality suffered from too much rain. The upward trend in number of dairy cows per farm and milk production per cow continued this year, resulting in a small increase in income for dairy-men. Most of the farmers in the survey participated in the feed-grain program, and this added considerably to income. The county had a high rate of participation in the program.

Variable costs increased this year on farms where yields were higher or production was expanded. Costs per unit of production probably were lower. Capital purchases were higher on the farms surveyed, and lenders reported a general increase in credit for purchases of machinery. The increases in capital items were attributed to relatively high incomes in 1960.

The need for credit has risen in recent years, and 1961 has been no exception. Bank loans outstanding ranged from the same to 10 percent above last year's levels. Production credit association and land bank loans were also above those of last year. Despite the increased demand, lenders in the survey reported no change in lending policies, and farmers found no difference in their ability to obtain credit.

In most parts of the Lake States, farmers appear to be a little better off this year. Weather has caused considerable variation, with some areas of Michigan and Wisconsin having too much rain and the northern parts of all Lake States suffering from drought. However, record yields of corn are expected, and production of both hay and pasture has been adequate except in the drought areas. A new record in fruit crop production is expected in Michigan. Production of small grain in Minnesota is down from last year's levels.

Approximately three-fourths of the receipts from farm marketings in this area comes from the sale of livestock and livestock products. Receipts from these sources are expected to be higher this year because of the increased production and stable prices of dairy products and the relatively favorable hog prices. During the first 8 months of 1961, increased income from dairy, hogs, and eggs offset lower income from cattle, broilers and turkeys, bringing in 4 percent more cash receipts than during the same period of 1960. Receipts from crop sales were 4 percent lower than last year's because of lower production of small grains in Minnesota and low prices for moisture-damaged wheat in Michigan. From January through August, total cash receipts from farm marketings were 2 1/2 percent above last year's level. Receipts for the rest of 1961 seem likely to remain above those of 1960, as prospects for fall-harvested crops continue to improve.

Production costs this year inched upward again, mainly because of higher labor costs, use of more fertilizer, and increased taxes. Purchases of new machinery are running lower than those of 1960, but maintenance costs of buildings and equipment are reported to be higher. The slight rise in costs is not enough to overcome the gain in gross income, so net income this year will be above that of 1960. Government payments will be substantially higher because of participation in the feed-grain and wheat programs. Off-farm jobs were less plentiful, and the lack of alternative employment appeared to retard the migration of farmers out of agriculture.

Lenders reported the usual increases in demand for farm credit, part of which was attributed to a continuing decline in farmers' savings and reserves. Farm-mortgage

3/ Michigan, Wisconsin, and Minnesota.

debt was 6 percent higher on January 1 of this year than at the beginning of 1960, but this increase is less than the 9-percent rise recorded in 1959. Apparently, supplies of credit have been plentiful, as interest rates are slightly lower this year, and life insurance companies reported keen competition among lenders for loans to preferred credit risks.

The loan repayment situation is generally improved this year except in the drought-stricken areas of northern Minnesota and Wisconsin, and on farms specializing in cattle feeding and poultry production. Some lenders mentioned that both loan payments and delinquencies increased during the year, indicating a widening difference in the ability of individual farmers to meet loan payments on schedule. Some Farmers Home Administration officials reported an increase in the number of loan applicants with serious repayment problems on debts to other lenders, merchants, and dealers. All lenders continued to screen applicants carefully and to weed out borrowers who are chronically delinquent on repayments.

The outlook this fall is fairly optimistic. Given continued good weather, gross income from farming in 1961 will be higher than last year's. In 1962, with the expiration of 3-year Soil Bank contracts, a considerable acreage of land may be returned to cultivation. This will tend to increase income from sales of farm products but will reduce Government payments. Return of Soil Bank land to production may increase the demand for credit when additional funds are needed to prepare the land for cultivation.

The overall demand for credit will continue to grow, but adequate supplies will be available at less cost, at least in the first part of the year. If there is an increase in the general level of economic activity, however, a stronger demand for money may result in an increase in interest rates to borrowers whose sources of credit depend upon the central money market.

Dairy farmers in Mecosta County, Mich., are somewhat better off than they were last year. Growing conditions for feed crops were favorable for the third consecutive year. Corn yields are expected to set a new record, and most of the corn was mature enough to escape serious frost damage. Hay and pasture crops were variable and generally below last year's high production, but hay was of better quality than in 1960. The upward trend in feed supplies has enabled a number of farmers to expand milk production.

Dairy incomes on many farms are supplemented by sales of cash crops. Yields of wheat, the most important cash crop, varied widely and quality was below that of last year. Production of both dry beans and cucumbers for pickles was better than last year, but income from snap beans was lower because of lower yields and lack of a good market.

Although a few farms have been taken out of the Soil Bank, income from Government payments will be substantially higher than in 1960, because of increased participation in Agricultural Conservation Program practices and the feed-grain and wheat programs.

Production costs approximated those of last year. Expenses for current operations remained stable except for increases in fertilizer purchases. Although a few farmers increased their purchases of machinery, most of them reported no change from last year. Some machinery dealers expressed the belief that farmers spent more for repairs and less for new machinery this year, and only one dealer reported substantially increased sales. Expenditures for building repairs and remodeling were generally lower than those of last year, because several farms had completed remodeling projects in 1960. Property taxes were considerably higher than last year in most parts of the county.

Loans to farmers were higher in 1961 than in 1960, with the bulk of the increase going to refinance existing debt. Increased activity in the farm real estate market may have been a factor also, although land contracts account for much of the financing of real estate purchases. Supplies of credit appeared to be adequate, and there were no advances in interest rates. Some farmers in the sample expressed the belief that credit was easier to obtain this year than last. Conventional lenders reported that repayment of loans was maintained at the satisfactory level of recent years, and that delinquent borrowers represented only a small proportion of the total. In contrast, a finance company official stated that farm borrowers had greater difficulty in meeting scheduled repayments this year than last. These apparently contradictory statements may result from differences in borrowers rather than differences of opinion on overall repayment rates. Presumably, customers of finance companies were unable to borrow from conventional sources.

Most merchants and dealers reported small increases in the proportion of goods sold on credit, and a stronger tendency for farmers to use credit. At the same time, collections were somewhat slower this year than last. In an effort to speed up collections, some merchants have started charging interest on accounts after 60 days. Credit supplies to merchants and dealers were adequate in most instances.

A majority of farmers in the sample considered themselves stronger financially this fall than a year ago. Higher milk production, stable prices, and large supplies of feed for the winter contributed to their feeling of optimism.

Corn Belt 4/

Corn Belt farmers generally are in an improved financial position this fall compared with a year ago. Cattle feeders, however, have continued to face an unfavorable spread between the cost of feeders and the selling price of fat cattle. Hog prices have remained at or above those of a year earlier. Moderately higher prices and an increase in production raised incomes of dairy producers during 1961. This year, about half the Corn Belt farmers who were eligible signed up to participate in the new feed-grain program. As a result, a substantial acreage was diverted from production of feed grains. However, record yields of corn and soybeans reported for many areas of the Corn Belt have offset a large part of the acreage decrease. With the Government feed-grain payments, and favorable prices for most crops, farm incomes in 1961 and early 1962 should be substantially above 1960 levels for most cash-grain farmers. Egg producers' incomes will be slightly above or near 1960 levels.

Cash receipts from farm marketings in the Corn Belt were 4 percent higher for the first 8 months of this year compared with the same period in 1960. Farm production expenses have continued to rise. A part of this increase is due to higher prices for such items as machinery, labor, fertilizer, and property taxes, and part is due to more intensive production with the use of more inputs. However, the increase in gross income for the Corn Belt as a whole should more than offset increased costs. As a result, farmers' net incomes will improve over the levels of last year.

Most lenders report some increase in the demand for credit in 1961. There have been reports of increased activity in the land market, as well as of some easing in mortgage terms, and therefore a larger volume of real estate loans. The demand for short-term credit continued strong earlier this year but eased this fall in the feeder-cattle areas, as many farmers delayed purchase of feeders in the hope that prices would be lower later on. Deposits at country banks are the same to slightly higher than in 1960, with most lenders reporting satisfactory loan repayments and a low rate of delinquencies.

Lenders report that farmers' attitudes toward borrowing have changed a little within the last year. With the prospects of profits brighter, the more efficient operators seem more willing to borrow for capital purposes. Most agricultural lenders have an adequate supply of loanable funds, but they are rather selective and prefer to lend only to those with good borrowing records.

4/ Ohio, Indiana, Illinois, Iowa, and Missouri.

Surveys of three Corn Belt counties provide details on local farm credit and financial conditions.

The financial position of farmers in Story County, Iowa, is about the same to slightly better this year than it was a year ago. A good crop year and favorable hog prices have raised incomes of hog producers. In general, however, cattle feeders have not fared so well. Again this year, the spread between feeder cattle and fat cattle prices has been unfavorable. Ideal weather throughout most of the growing season has raised expected corn and soybean yields to near record levels. For many farmers, higher soybean prices and payments under the feed-grain program will increase 1961 income over last year's.

Farm operating expenses for 1961 have increased slightly over 1960 levels. Taxes have inched upward, and machinery replacement has increased somewhat over that of a year ago. A number of farmers reported that they expect to spend more next year for automobiles, trucks, tractors, and other machinery than they spent this year.

The trend toward movement of farmers out of agriculture has slowed somewhat this year compared with the last 2 years. The relatively favorable farm income situation this year and the scarcity of nonfarm jobs has reduced both the incentives and the opportunities for nonfarm employment.

The total volume of loans this year is about equal to the 1960 total, but the number of borrowers is smaller. Institutional lenders are becoming more selective and as a result, many small operators are forced either to curtail operations or seek financing from private sources. Again this year, cattle feeders are tending to wait out an unfavorable feeder cattle market hoping for lower prices. As a result, cattle loans are lower than they were in 1960 at this time of the year. Other farmers who normally use credit are continuing to do so again this year. Most of them feel optimistic about their ability to repay short-term obligations because of the good crop year and feed-grain program payments. Little, if any, carryover debt is anticipated by either farmers or lenders.

Cattle feeders in Bureau County, Ill., picture their financial condition this year about as it was in 1960. Financial institutions reported the same general reactions, but individual observations lend much variation to the overall picture. Some farmers lost money on their feeding operations, while others managed to realize a profitable year.

Stable hog prices, holding around the \$16 to \$18 mark, contributed much to maintaining income. Crop yields, particularly those of corn, also helped to hold income up, as they

were especially good this year. Also, more land has been planted to soybeans as a result of the feed-grain program. Cattle prices were the chief variable in 1961. Farmers who bought heavy cattle in late fall and sold them in late winter or early spring made good profits. Those who bought calves early last fall and sold them this summer did not have a favorable feeding margin. Lending agencies rate the financial position of cattle feeders at about the same to slightly lower than last year. Income from nonfarm work continues to be a negligible factor in this area.

Expenditures on feeder-cattle farms were generally higher in 1961 than in 1960. Taxes head the list of expenses that have increased. Current operations and building repairs were higher on about a third of the farms contacted. Living expenses and purchase of household equipment have been held at the 1960 level in most farms. Outlay for feeder stock is down from the same date a year ago, chiefly because farmers are waiting for a lower price. Expenses in this category will eventually be as heavy as, or heavier than, those of last year.

Some optimism as to the present financial strength of cattle feeders is generated by the fact that nearly half of those interviewed spent money on building construction in 1960-61. Several plan additional permanent improvements next year if price-cost relationships do not worsen. Strength is also evidenced by plans to make the same or larger investments in land improvements and machinery next year.

A few farmers have found credit a little more difficult to obtain this year, but most of them have found financing adequate and readily available, as it was in 1960. Debts have been reduced on most farms and only a few operators will need to carry past-due obligations into next year. Moreover, lending agencies report both fewer borrowers and less money outstanding. Loans for one category of inputs--operating expenses--increased during the year.

A large percentage of farms in Benton County, Ind., are cash grain farms. Therefore, yields and prices of crops are important in determining the level of farm income in the area. Much of the corn and soybean crop is held over for sale in the year following production, so that this year's income is affected by last year's production. In 1960, both corn and soybean yields were record-high for the county. Prices varied somewhat, depending on time of sale, but most farmers realized favorable gross incomes.

Crop production remained high this year, although a large percentage of farmers diverted acreage from corn production under the feed-grain program.

Despite the smaller corn acreage, spending for operation expenses this year and the tonnage of fertilizer sold to farmers was practically the same as in 1960. More chemicals were applied to control weeds, offsetting reduced seed costs. Expenditures in 1961 for maintenance of buildings, capital improvements, and family living were about the same as in 1960.

Credit needs of farmers appear to be about the same in 1961 as in 1960. The total outstanding loans by all lenders interviewed in the county were 2 percent smaller than a year ago. Merchant and dealer credit to farmers is reported at slightly lower levels than a year earlier. Again this year, delinquencies and carryovers on loans are infrequent.

Farmers in general have been able to increase their reserves and savings during the last year. Bank deposits, particularly time deposits, increased substantially in 1961.

The outlook for the next 12 months in Benton County is one of confidence. Farmers are generally pleased that they have good crops and that price expectations are satisfactory. Lenders and merchants share this confidence. Credit will be adequate for most farmers who have good financial histories. Some lender reluctance will remain when the net worth statement does not show a fairly good financial position. All bankers indicated that unless some drastic event occurs, no change in lending policies will be made.

Appalachian and the Southeast 5/

The financial condition of farmers in North Carolina and Florida has improved in 1961. That of farmers in most other parts of the Appalachian Region and the Southeast, however, continued at the moderately weaker position of last year, although special weather and crop conditions caused local variations throughout the region. A cold, wet spring delayed planting, and excessive rainfall during the growing and harvesting seasons retarded operations in many parts of the region. Operating costs were pushed up by replanting and by the additional fertilizer, herbicides, and insecticides needed because of adverse weather.

Cash receipts from farm marketings during the first 8 months of 1961 increased about 10 percent from the same period a year earlier, but the increase reflects primarily the very favorable situation in Florida and North Carolina. When these two States are excluded, the increases for the remaining States of the region average a more modest 4 percent.

5/ Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Despite unfavorable weather in many parts of the region, yields of most crops are good. They will about equal those of 1960, while prices average slightly higher. Tobacco prices and total production are up, and the United States yield per acre reached a new all-time high of 1,717 pounds. In the region, total cotton production and yield per acre are down slightly, with a sizable decline in production in Alabama. The price of cotton is slightly higher than it was last year and the price of cottonseed increased sharply in recent months. The decreased production and increased price for cotton will about offset each other.

Total production of peanuts and yield per acre are down slightly from the 1960 record level, while prices are moderately higher. Livestock and dairy production are about equal to those of 1960, with higher operating costs and slightly higher prices. Citrus growers received slightly higher prices for a smaller crop, and the total value of the 1960-61 citrus crop may equal the record high of 1958-59. Vegetable growers have had lower production and slightly higher prices. Egg production has increased somewhat, but total income showed little change. Broiler prices are at a new low, but most broilers are produced under contract and producers do not suffer the full effects of the lower prices.

Off-farm job opportunities in the Appalachian Region have decreased, but the trend to off-farm jobs continues. The movement out of farming continues, and the size of farms is increasing, aided in part by the retirement of farmers eligible for Social Security payments.

The need of farmers for credit continues to increase because of the increase in mechanization and acreage of farms. In addition, home improvements and the acquisition of household appliances require additional credit. The number of farmers served by lending institutions is reported to be about the same, and the average amount loaned per farmer is up slightly. Some farmers who are in weaker financial condition have consolidated debts through loans, using real estate as security. In general, ample credit is available, although lenders continue to screen applications closely. Carryovers and delinquencies are at about last year's level, and there have been few foreclosures.

Financial reserves of farmers remain low. Higher operating costs and upgrading of levels of living absorb part of the increased income of many farmers. Part of this year's income has been used also to pay off a larger than average amount of debt carried over from previous years. In many parts of the area, maintenance and repair of buildings and machinery were again held to a minimum. In other areas, some of the previously postponed maintenance and repairs were done this year; they absorbed part of the increase in gross income. Off-farm income also was used largely for operating and living expenses.

More detailed information for important types of farming was obtained through special surveys. Flue-cured tobacco is the most important crop in Wilson County, N. C. Although yields may average slightly below those of last year, the average price is expected to be around 65 cents a pound, or about \$0.03 above that of last year. Gross income from tobacco probably will be 4 to 5 percent above that of 1960. Costs of production also are somewhat higher.

The corn, cotton, and small grain crops are relatively good in Wilson County this year. Favorable fall weather increased the yield of cotton over earlier expectations. Livestock are a minor source of income in the county.

Nonfarm employment is also a minor source of income for farm families in Wilson County. However, almost 4,000 individuals, both farm and nonfarm, share in Social Security payments totaling about \$200,000 per month.

Two good crop years in succession have improved the financial situation of most farmers. Credit will continue to be needed and used by many farmers for operating and other expenses. Lending agencies report an improvement in loan repayment this year. There are relatively few delinquencies and almost no foreclosures.

The financial savings and reserves of farmers at the beginning of the tobacco-marketing season were greater than at the same time last year. Spending for farming operations, maintenance of buildings and equipment, and family living is also higher.

In Laurens County, S. C., the acreage planted to cotton is about the same as last year. Planting was delayed by cold and rainy weather. Some crop damage was sustained during the growing season, but weather for harvesting the crop has been favorable.

Prices received for cotton are about the same as in 1960, but the price of cottonseed is considerably higher. Gross farm incomes averaged a little higher, but nonfarm income was the same or smaller.

The movement out of farming was somewhat more marked after the short 1960 crop, especially on the part of smaller farmers. Total acreage in cotton remained nearly constant as the remaining producers increased their cotton acreage.

Wet weather and increased acreages raised operating costs, because of increased expenditures for fertilizer, labor, repairs, and insecticides. Increased demands for labor by nearby mills pushed up wages for cotton farmworkers.

Expenditures for maintenance and repair of farm buildings have been held to a minimum in the last 2 years. Many farmers reported no capital expenditures in either 1960 or 1961.

The financial situation of cotton farmers in Laurens County has deteriorated over a period of years. Those with other farm income or nonfarm income have fared best. Lenders are servicing the same number of, or fewer, farmers, but loans are larger and the amount of loans outstanding has increased.

Small-scale farming predominates in Grainger County, Tenn., where gross farm receipts increased in 1961. Receipts from burley tobacco, the major source of cash farm income, were larger because of larger acreage allotments, higher yields, and better quality. Higher prices for tomatoes and slightly larger production of peppers, milk, and beef also contributed to the rise in farm receipts. Net incomes from farming generally were higher than in 1960. Nonfarm incomes were about equal to those of last year.

In 1961, loans to farmers by credit agencies averaged 5 to 10 percent larger than a year ago, reflecting the growing interest of farmers in production efficiency by investment in more efficient milking and milk-handling facilities, larger herds of dairy and beef cattle, and improved feeding programs. Loans for the improvement of farm dwellings, particularly those on part-time farms, continued to account for a substantial part of the loan volume.

Farmers in Grainger County will go into 1962 in a slightly stronger financial condition than a year ago. Farm-mortgage debt is down slightly. The volume of credit available to farmers should equal that available in 1961. Nonfarm incomes may rise because of expected expansion of employment opportunities through the opening of new industrial plants in adjoining areas.

Gross farm income on most farms in Terrell County, Ga., is lower this year. Cotton and peanut yields are down; they were not offset by slightly higher prices. Beef cattle and hog prices are slightly higher, and production is about equal to that in 1960.

Expenditures for current operations were higher in 1961 than in 1960 on most farms. Adverse weather increased requirements for tractor fuel, seed for peanuts, corn and cotton, and insecticides for cotton. Use of fertilizer on corn and cotton also increased.

The financial position of farmers ranges from the same to substantially weaker compared with their position a year ago. The proportion of farmers who drew down their deposits and savings was higher this year. Off-farm employment opportunities continue to increase in Terrell County.

Lenders report an increase in loans for operating expenses. Loans for livestock purchases increased in 1961, while those for machinery, farmland and farm improvements remained at about the 1960 level. No increase is expected in the carryover of past due payments or in foreclosures.

In Central Florida, citrus is a major crop, and other agricultural enterprises include vegetables, nurseries, sugarcane, tobacco, dairying, poultry, and beef cattle. Farmers appeared to be in a stronger financial position in 1961 than a year earlier. Higher prices of citrus resulted in a higher gross value of product despite a smaller 1960-61 crop. Yields of vegetables were above average and vegetable prices were favorable. The value of other crops should equal or exceed their value in the preceding year.

A high level of land values prevailed, supported by demand for land for subdivisions, commerce, new citrus groves, and sugarcane plantings. Farm real estate debt is growing at a reduced pace, and the equities of farmers and other owners of farm property increased substantially in 1961. In Sumter County, real estate tax problems have developed because of the substantial gap between speculative land values and agricultural earning capacity. In Orange and Lake Counties, however, the current productivity of land for citrus crops permits it to remain in agriculture despite high speculative land values for urban uses.

Non-real-estate farm credit has grown at a rate of 10 to 15 percent annually. Adequate credit is available to most producers. Small producers, who tend to have high unit costs and high risk, appear to be operating under a continuing cost-price squeeze, and the sources and amounts of credit available to them are more restricted. Some small-scale vegetable farmers have left farming for off-farm jobs.

Delta 6/

The financial situation of Delta area farmers in 1961 improved somewhat compared with the situation in 1960. Conditions were generally favorable for crop and livestock production, and prices were firm to slightly higher.

The most important cash crop in the Delta is cotton. This year, production is expected to total slightly above that of 1960. With prices averaging somewhat higher, returns from cotton should be greater this year than last. Moderately higher prices for rice, with record yields in Arkansas and Louisiana and near-record yields in Mississippi, will raise incomes to rice farmers in 1961. Damage to the rice crop by Hurricane Carla, while severe in some areas, was not widespread. Soybean production has increased substantially in Louisiana, and record production is reported in Arkansas and Mississippi. Soybean prices average about 10 percent higher this year than a year ago. Record yields are in prospect for the 1961 Louisiana sugarcane crop. Income from this crop is expected to be somewhat higher than it was last year.

6/ Arkansas, Mississippi, and Louisiana.

Total cash receipts from farm marketings in the Delta States through August of 1961 were about 5 percent above those of the same period last year. Production costs increased in 1959 and 1960, and the upward trend is continuing this year. Higher seed, feed, and fertilizer costs were the main items in the increased expenditures. Unfavorable weather in some areas increased expenditures for cotton replanting and insect control. Higher rates of fertilizer application and the increased use of chemicals in weed control added still more to production costs. Machinery repairs and taxes were also reported as slightly higher this year than in 1960. Farmers were generally cautious about the purchase of equipment. However, sales of mechanical pickers were indicated to be above 1960.

Lenders report a moderate increase in the demand for farm credit this year compared with 1960. Real estate mortgage loans account for the largest share of the increase. Some mortgage credit is used for farm expansion, but indications are that this trend has slowed somewhat this year. Many farmers reportedly are turning to the use of mortgage credit as a means of consolidating short-term loans. Some do so because of more favorable interest rates; others, because short-term credit obligations could not be met from current income. However, lenders generally feel that they will be able to fill the credit needs of most farmers in the foreseeable future. Although instances of forced collection are few, some lenders feel that the number of farmers who are having difficulty servicing large debts has increased.

Surveys in two counties provide further insight into the changes that occurred in the Delta region. The financial position of farmers in Mississippi County, Ark., is expected to be moderately improved by the end of 1961 compared with a year earlier. Total income for 1961 is expected to be slightly above 1960 income. For much of the county, production of cotton will be about average, and with favorable harvesting weather, production might be higher. Unlike the Delta area in general, soybean output will be about the same as last year but prices are somewhat higher. Income from minor enterprises is expected to be about the same as in 1960.

Production costs in 1961 are averaging about the same, or in some instances, a little less than in 1960. There was some increase in use of chemicals for weed control, but use of insecticides was below last year, except in areas where cotton was planted exceptionally late. Seed costs were increased on some farms because of the need to replant cotton acreages. Machinery repairs and taxes were slightly higher than in 1960. Harvesting cost should be about average to slightly lower, if favorable weather continues.

Farmers interviewed in the county bought less machinery this year than in 1960. Only in the case of mechanical pickers did purchases increase over 1960. For most items including repairs, machinery dealers reported lower sales volume than in 1960.

The debt of Mississippi County farmers is somewhat higher in 1961 than it was a year earlier. However, most farmers indicated that income from the 1961 crop would be sufficient to meet their production loans, plus machinery notes coming due before the end of this year.

The number of borrowers served by banks, ginners, and other lending agencies, was about the same as a year earlier. Banks and other private agencies were interested primarily in serving their regular customers, and generally did not encourage new business. The number of farmers served by FHA and PCA was larger and the volume of funds loaned increased. Most lenders expect loan carryovers to be low again this year.

The financial situation of farmers in Madison County, Miss., in 1961 varies considerably by enterprise. On cotton farms, production while spotty, is expected to be moderately higher than in 1960. Higher labor and insect control costs, which were associated with continued wet weather throughout the growing season, offset slightly higher cotton prices. As a result, net income from cotton is expected to be lower than last year.

Beef, dairy, and hog farmers have been favored with stable to slightly higher prices, and the rainy weather that hurt cotton farmers has produced good pasture and feed crops.

The level of debt and the use of credit is reported to be about the same this year as in 1960. Indications are that operators of medium-sized and small farms are experiencing difficulty in financing crops, livestock investments, farm improvements, and particularly home improvements. The larger operators appear to have no difficulty in obtaining credit; however, lenders are screening loan applicants more carefully. Some lenders who previously made loans with crop liens as security now require real estate mortgages. Loan repayments by farmers are better than in the previous year with few carryover loans and few delinquencies reported.

Many farmers in the county are reported to be switching from cash crop to livestock farming. As a result, fewer farms are available for sharecroppers. Indications are that this trend will continue.

Southern Plains 7/

Favorable prices and generally better than average growing conditions have resulted in an improved financial position for livestock ranchers and farmers in Oklahoma and Texas. The production of cotton - the most important cash crop in the Southern Plains - was

7/ Oklahoma and Texas.

up slightly with prices about the same as a year ago. Above-average yields are reported for the western Texas area, whereas in some areas of Oklahoma and eastern Texas, production was reduced by wet weather and insect damage. Wheat production remained near 1960 levels. Yields were slightly lower in Oklahoma, but in Texas, yields were at a record high. Wheat prices averaged moderately higher than in 1960. Participation in the feed-grain program reduced acreage planted to sorghum grain by a fourth from a year earlier, but record high yields in both Oklahoma and Texas resulted in production only 12 percent below that of 1960. Sorghum grain prices averaged somewhat above a year ago. Hurricane Carla caused some damage to the Texas rice crop; however, total production is expected to be about the same as last year with prices averaging somewhat higher.

For the first 8 months of 1961, total cash receipts from farm marketings in the Southern Plains were slightly higher than for the same period a year earlier. Farm operating expenses have risen slightly. Wet weather, particularly in the southern area of Texas and some areas of Oklahoma, resulted in increased expenditures for insect control, labor, and materials for replanting cotton. Slightly lower fertilizer prices have been offset by increased application by many farmers. Expenditures for feed and seed were slightly above a year ago because of generally higher prices. Outlays for land improvements and building repairs show little difference from 1960.

The demand for farm credit continues at a high level. Lower mortgage interest rates in 1961 relative to short-term rates have made use of mortgage credit more attractive. The result has been some increase in the refinancing of short-term debts with mortgage credit.

Little change is noted in the lending practices and policies of most agricultural lenders except that some lenders are giving greater attention to a review of the loan applicant's management ability. Most lenders expect loan carryovers to be lower this year except in some areas where yields were low. Repayment rates are generally above a year ago, particularly for the larger operators. Loan delinquencies continue at low levels, and foreclosures are few.

Indications are that farmers and ranchers in the Southern Plains are in a slightly improved financial position in 1961 compared with 1960. The larger and more efficient operators continue to expand their operations and increase their incomes. However, expansion of farm units is reported to be at a somewhat lower rate than last year. Operators on the smaller, less efficient units will need to limit their operations and further supplement their incomes through nonfarm employment. In some instances, the smaller operators are moving out of farming altogether.

The situation in Navarro County, Tex., reflects the changes that have occurred in the Blackland area of northeastern Texas. In this area, the financial condition of farmers shows some improvement over their depressed condition for the last 2 years. Harvested cotton acreage will be slightly higher than in 1960, and yields will exceed the 1960 average. Cotton prices average \$0.06 a pound higher than they averaged a year ago. Prospective yields were excellent early in the season, but root rot damage developed after excessive July rains. Hurricane Carla damaged the cotton crop to some extent, but less than was first estimated. Much of the cotton harvested after the storm brought almost the same price as that harvested earlier.

Yields of grain sorghum, corn, and other small grains were above those of 1960 and prices were generally higher. 1961 has been an exceptionally good pasture year, and hay supplies are adequate on most farms with livestock. Cattle prices have improved over those of 1960 for comparable grades, and livestock in the area are in good condition.

Farm production costs averaged slightly above those of last year. Expenditures for fertilizer increased substantially because many farmers used fertilizer on cotton for the first time this year. Insect infestation was spotty and somewhat less severe, necessitating smaller outlays for control compared with those needed in 1960. Other production expenditures were up slightly from last year. Family living expenditures were at about the same levels as a year earlier.

Short-term debt was reported at slightly lower levels this year, as some farmers were able to reduce debt carryovers from 1960. Short-term borrowings increased this year, chiefly for the purpose of buying additional fertilizer. However, most farmers expect to meet loan payment commitments for the rest of this year.

Except for the substantial increase in fertilizer sales, merchants generally report little change in their volume of business with farmers.

The West 8/

Cash receipts from farming in the West during the first 8 months of 1961 about equaled receipts during the same period of 1960. Cash receipts from the sale of livestock and livestock products were up 1 percent, while crop receipts were down 2 percent. With prospects for an excellent cotton crop, gross farm income for the year will probably exceed that of 1960.

8/ The West encompasses three major agricultural regions for this report: Northern Plains, Mountain, and Pacific States.

Despite the higher costs of farm production, net farm income is expected to be somewhat greater in 1961 than it was in the preceding 12 months.

This year, cattle ranchers who operate cow herds and sell feeder calves are in strong financial condition. The supply of grass is good in many parts of the West where this type of farming predominates. In addition, the price of feeder calves is relatively high.

Wheat growers in most of the Northern Plains, except in the western parts of North Dakota and South Dakota, have had another good year. Although average yields in 1961 are below the record yields of 1960, this year's crop is well above the 1950-59 average. Cotton production in the West, too, is above average. California growers, for example, anticipate an average yield of slightly more than 2 bales of lint cotton per acre.

Certainly, there are soft spots in the agricultural economy of the West. Many sheep ranchers and lamb feeders are operating at a loss. Not only are prices depressed, but in many areas, lambs are turning out light. Stockmen who buy feeder calves for fattening are in a cost-price squeeze. The cost of feeder calves is high relative to the market price of fed cattle.

Hardest hit, however, are the ranchers and farmers in the drought-stricken sections of the West. This has been a particularly dry year in western North and South Dakota, eastern Montana, and northeastern Wyoming. Parts of California and Utah, too, are suffering from lack of water.

Throughout the West, farmer's credit needs are reported as increasing. Not only are farm sizes continuing to increase, thus necessitating greater total expenditures, but also the prices of the things that farmers and ranchers buy have increased during the year. In addition, each year more farmers tend to view credit as a useful tool and use more of it as they seek to improve their profit position. A majority of lending agencies report that the amount of outstanding loans to farmers is larger this year and the number of farmers served is greater. Few respondents in financial circles anticipate that this trend will be reversed in 1962.

Farm-mortgage debt in the West rose 7.4 percent from January 1, 1960, to January 1, 1961. For the United States, the farm-mortgage debt increased 6.6 percent during the same period. Farm-mortgage debt mounts as farmers and ranchers continue to enlarge their holdings. However, the rate at which farmers are leaving the farm has diminished.

Where drought is not an important factor, a majority of the farmer and rancher respondents in the West believe that their financial condition is about the same as or stronger than that of last

year. Where crops have been good for at least 2 years, some merchants and dealers report that retail sales are up as much as 30 percent this year over 1960. However, in drought counties or in areas where drought was a problem last year, the consensus is that sales are down. Some lines are reported off as much as 75 percent this year.

Lending institutions generally report that short-term loan carryover will be about the same or lower at the end of 1961 as at the end of 1960. However, in a few areas where drought was a serious problem this year, bankers anticipate carrying over as much as 90 percent of the amount loaned. On the other hand, long-term borrowers are repaying their loans on time. Delinquencies are only a fraction of a percentage point in most areas. Foreclosures by lenders are almost nonexistent.

Northern Plains States 9/

Extreme drought in the western half of North and South Dakota has reduced State average yields of both spring and winter wheat well below the 1960 output. Total production of spring wheat in these two States will be half what it was last year. Kansas and Nebraska farmers, however, had above-average winter wheat yields in 1961. In these two States, total wheat output is about 90 percent of the record 1960 crop.

Cattle prices in the Northern Plains remained relatively stable. Some ranchers in the drought section of the area were forced to market cattle up to 2 months earlier than usual, with the result that the lightweight animals brought less per head than the ranchers anticipated. Also, ranchers who reduced their cow herds will require time and money with which to rebuild the herd.

McLean County, N. Dak., is representative of an area that was hard hit by drought in 1961. To complicate the disaster, grasshopper infestations were the heaviest in many years.

Wheat yields on summer fallow were below average--10 to 12 bushels per acre were harvested on land where 16 to 18 bushels are considered normal. On nonfallowed land, small grain and flax yields were so poor that from 60 to 70 percent of the acreage was either cut for hay or abandoned entirely.

Range and pastures were fair to poor throughout the season. Stockmen started culling herds in July and began moving calves to market in late September. The movement was 6 to 8 weeks earlier than usual.

9/ North Dakota, South Dakota, Nebraska, and Kansas.

Merchants and dealers in the county are reporting sales drops of 65 to 75 percent below last year for lumber and building materials. Farm machinery sales are off 50 percent, while sales of tractor fuel are down 20 to 25 percent. Some dealers and merchants have reverted to a COD basis for farm supply sales.

All lenders and those making sales on credit expect payments on loans and open accounts to be low this fall. They anticipate a large increase in the number of accounts that will need to be re-financed or carried over to the next crop harvest. Few farmers have funds to invest in bonds or to place in time deposits in local banks.

Movement of persons off the farm to towns and cities has slowed. Not only has the drought dried up the fields; it has also dried up off-farm job opportunities. Because of the lack of non-farm work, some young or middle-aged farmers have elected to remain on the farm rather than look for nonexistent work in town.

Some ranchers moved their haying equipment to eastern North Dakota to make hay on soil-banked land. Other hay was salvaged from unharvested small-grain fields. Since beef cattle can be maintained on hay of poor quality, stockmen may be in fairly good condition next year if this proves to be only a 1-year drought emergency. In September, some 5 inches of rain fell in the county. This has replenished some exhausted water supplies and improved the outlook for next year.

Lending agencies, private as well as public, are "swamped" with loan applications. Farmers need money to pay current and past due obligations, as well as to secure funds for family living until next year's harvest.

In the Nebraska Sand Hills, cattle ranchers report that their financial condition in 1961 is stronger than it was in 1960. Higher cattle prices this year have increased debt-repayment ability and net worth. Gross income this year is expected to be 8 to 12 percent above last year.

With range conditions and hay production slightly impaired by dry weather, it is likely that fewer calves and yearlings will be carried over to 1962. Feed supplies are only slightly less than ample, and little, if any, reduction in cow numbers is expected. Reduced forage supplies will mean that more oilseed cake will be fed to the animals through the winter. Thus, operating costs during the coming months will be higher.

Ranchers will spend more money and use more credit in 1962 than in 1961. High cattle prices and a more optimistic outlook concerning cattle prices next year may result in less conservative spending in 1962. Many ranchers indicated that they intend to spend more on new buildings and repairs than they spent this year.

Lending and credit agencies are able to meet the demand for low-risk capital. Merchants and dealers are quietly optimistic about the outlook for the rest of this year and the first half of 1962. Credit policies are about the same as last year. If anything, restrictions on availability of credit have eased.

The credit and financial situation of farmers in Ness County, Kans., is somewhat representative of conditions in the southern part of the Northern Plains.

This is wheat country and what affects wheat affects Ness County. Gross farm income in the county will be somewhat below that of 1960 because of a smaller but still above-average wheat crop. Total farm expenses are higher this year, mainly because of higher operating costs, higher taxes, stepped-up purchases of trucks, automobiles, and farm machinery, and increased construction and repair of buildings.

Prospects for fall wheat pasture are good. Silage and forage are abundant. With abundant feed supplies for the winter, a substantial expansion is expected in cattle feeding, even though feeder cattle prices are a little higher than a year ago. Grain sorghum prices are substantially higher than a year ago, and wheat prices are up slightly.

Availability of credit is adequate. Some banks reporting delinquencies at the start of the 1961 season expected to carry over a smaller number into 1962. Because of the good wheat crop, lending agencies expect few delinquent accounts this year.

The credit and financial situation of farmers should not change too much next year. Fall wheat is in good condition and moisture is adequate. The expanded cattle-feeding activities this winter should enable them to improve their financial position next year.

Mountain States 10/

Farm income in the Mountain States is derived principally from cattle and sheep ranching, from cotton in the south and from sugar beets in the north, both irrigated; and from other crops grown on irrigated land. In much of this area, both sheep and cattle ranchers have been affected by drought. Calf crops are down in some sections, and weights are down also. Offsetting these losses, however, are relatively good prices for calves. In addition to dry ranges, sheep ranchers are confronted with an unfavorable market price. Where irrigation is practiced and water supplies have been adequate, crop farmers have had a good year.

10/ Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.

Custer County, Mont., is representative of the farm and ranch situation in the northern Mountain States. Here, too, farmers and ranchers have been affected by the drought. Cattle prices have held up, but rancher incomes are lower, mainly because of the light weights of the cattle shipped.

A need for increased credit is indicated. The lending agencies in the county have received many applications to renew or refinance short-term obligations. The rate of early loan repayments is high. But much of the cash for these loan liquidations is coming from moderate to heavy cutting back of cow herds. This indicates a reduced base for next year's calf crop.

Irrigated crops--corn, beets, small grains, and forage--were generally good. Dryland farmers were hard hit by the drought this year.

Good growing conditions in Canyon County, Idaho, coupled with a relatively high market price structure, has improved the financial situation of most farmers in this county. It is an area of diversified farming, and sugar beets, potatoes, hops, small grains, dairy, vegetables, and seeds are produced. Potato and hop producers are the soft spots. Potato quality is reported down, therefore the prices farmers receive are lower. Hop yields are off, and prices are down.

Operating expenses, taxes, living expenses and machinery purchases are higher this year. Expenditures for feeder cattle are greater, too, as farmers buy more animals to utilize the forage output. Therefore, most farmers used the same or larger amounts of credit in 1961 as in 1960. This trend is expected to continue into 1962. Credit agencies report that the number of borrowers, the amount loaned, and the average amount per borrower are all larger this year than in 1960. Credit availability is no problem in this county. The debt carryover into 1962 is expected to be about the same as the carryover into 1961.

Merchants and dealers serving farmers in the area report that the sales volume is holding firm. Fertilizer, tractor fuel, and farm machinery sales are good. On balance, merchants report 1961 as a better year than 1960.

Pacific States 11/

In the Pacific States, the financial outlook is as varied as the number of crops and the climate in which crops are grown. Overall, the lack of adequate moisture has affected farmers in one way or another. Either crop output was down or operating expenses

11/ Washington, Oregon, and California.

increased as irrigation facilities were improved. Prices and markets are variable but in general, 1961 appears to be comparable to 1960.

In Polk County, Oreg., gross farm income is expected to be about the same as or only slightly lower than in 1960, a relatively poor crop year. A wet spring delayed planting of field crops and pollination of prune and cherry trees. Later, hot weather cut small grain yields, and the prune crop was about 50 percent of normal while the cherry crop was about two-thirds of normal.

Farmers' credit needs are increasing. Because of adverse growing conditions in the county, about half the farmer respondents had production loans that would need to be extended or refinanced. Lending agencies report lending more money in 1961 to about the same number of farmers they served in 1960. The average loan per farmer has increased considerably.

Cotton, beef cattle, grapes, and dairying are the major farm enterprises in Madera County, Calif. A good cotton crop and a large grape crop are on hand. Cotton prices are good, but the returns from grapes are uncertain. With good cattle prices, stockmen are as well off as in 1960, or in even better financial condition.

Although affected by high labor costs and increased use of pesticides, farm costs have risen in 1961 mainly because of the effect of three consecutive dry years. A consequent drop in water tables has forced farmers to deepen existing wells and to buy new pumps.

Banks and other credit sources have served more farmers this year with a larger average amount loaned per borrower. Credit agencies have reported greater demand for improvement and refinancing loans. Several agencies noted an increase in the number of farmer borrowers that were required to seek financing elsewhere. Several farmer respondents who had carried over past due loan payments into 1961 were optimistic about being able to pay off their obligations this year.

Financial savings and reserves showed little change from 1960. On balance, farmers in Madera County considered themselves about as well off this year as they were in 1960.

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